Fiscal Services Division
Legislative Services Agency
Fiscal Note

HF 2195 - Enterprise Zone, Prison Population without Bio-Fuel Projects (LSB 5544 HV)
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Fiscal Note Version - New

Description

House File 2195 prohibits the inclusion of prison population in the calculation of the percentage loss of county population when evaluating the criteria for designating an enterprise zone. The Bill also excludes ethanol and bio-diesel projects from participation in the Enterprise Zone Program if the only way the zone will qualify is based on the exclusion of prison population.

Background

An enterprise zone may be designated by a county (County Zone) that meets at least two of the following distress criteria:

- The county has an average weekly wage that ranks among the bottom 25 counties in the State based on the 2000 annual average weekly wage for employees in private business.
- The county has a family poverty rate that ranks among the top 25 counties in the State based on the 2000 census.
- The county has experienced a percentage population loss that ranks among the top 25 counties in the State between 1995 and 2000.
- The county has a percentage of persons 65 years of age or older that ranks among the top 25 counties in the State based on the 2000 census.

A county or city may apply to the Department of Economic Development (DED) for an area to be certified as an enterprise zone at any time prior to July 1, 2010. An enterprise zone designation will remain in effect for ten years following the date of certification by the Department. Therefore, awards could be made through FY 2020 and the benefits will extend through the life of the contract.

As of February 5, 2008, there were 28 counties that qualify under the current distress criteria. Excluding ethanol and bio-diesel projects, there were 23 awards made during the period of FY 2004 through FY 2007, including nine business awards and 14 housing awards, in those counties.

Assumptions

- The change in criteria will not prohibit any current counties from designating enterprise zones.
- The Bill will allow an additional county (Page) to qualify.
- There are currently 28 counties that qualify for a County Zone under the distress criteria.
- The average award for an enterprise zone business project, in distress criteria counties, is $669,000 and 89.0% of that amount is for Investment Tax Credits that are to be amortized over five years.

- Projects will average the same annual business awards for a new eligible county as the current distress criteria counties. Currently, the 28 current distress criteria counties represent approximately $6.0 million in business awards annually for 28 current distress criteria counties. Average annual county awards per county total $215,000.
- The average cost of an enterprise zone housing project award for 28 current distress criteria counties is $118,000.
- Awards will be issued during the year that a zone is certified.
- Due to the time needed to establish new zones, approve projects, and begin operations, the first project awards would not be exercised until FY 2010.
- All awards will be exercised.
- No specific project was used in the estimate.

Fiscal Impact

House File 2195 is estimated to reduce State General Fund revenue as follows:

- $129,000 in FY 2010
- $167,000 in FY 2011
- $206,000 in FY 2012
- $244,000 in FY 2013
- $244,000 in FY 2014

The fiscal impact does not include an adjustment for "indirect" impacts on State or local revenue. Both positive and negative indirect impacts are possible. Positive indirect impacts may include employees expending salary dollars within the State and growth in other businesses created and expanded to meet the needs of the new business. Negative indirect impacts may include the effect of the new business on other Iowa businesses when competing for labor, capital, and sales, as well as the additional demand for schools, roads, police and fire protection, and other government services that necessarily result from higher levels of employment and population.

Source

Department of Economic Development

/s/ Holly M. Lyons

February 11, 2008

The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.